

Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

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TO SECSTATE WASHDC PRIORITY 8434

INFO ALL EC CAPITALS 426

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

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PASS TREASURY FOR PELIKAN AND EXIMBANK FOR GIANTURCO

E.O. 11652: NA

TAGS: EFIN EEC

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT

REFS: A. EC BRUSSELS 1880

B. STATE 47207

C. EC BRUSSELS 1747

1. SUMMARY: THE EC WOULD LIKE TO HOLD AN INFORMAL MEETING WITH ALL PARTICIPANTS OF THE TECHNICAL-LEVEL MEETING ON MARCH 12. THE COMMISSION HAS GIVEN US THE EC'S PRELIMINARY REACTION TO THE JAPANESE DRAFT OF THE AGREEMENT. THE COMMISSION HAS RECEIVED REPRESENTATIONS FROM THE BELGIAN GOVERNMENT REGARDING RECENT MEMBER STATES' EXPORT CREDIT MEASURES. END SUMMARY.

2. FURTHER COMMISSION REACTION TO UK EXPORT CREDIT SCHEME: FOLLOWING UP ON REF A, MRS. ARCHIBALD OF THE EC COMMISSION
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TELLS US THAT THE BELGIAN MINISTER OF FOREIGN AFFAIRS HAS

WRITTEN A LETTER TO THE COMMISSION CRITICIZING THE RECENT ACTIONS OF SEVERAL MEMBER STATES TO USE EXPORTS CREDITS TO COVER RISING EXPORT COSTS. THE GOB REPORTEDLY ASKED THE COMMISSION TO LOOK INTO THE MATTER. THE COMMISSION HAS CONSEQUENTLY INTENSIFIED ITS INVESTIGATION AND HAS ASKED THE MEMBER STATES IN QUESTION TO PROVIDE A COMPLETE ACCOUNT OF VARIOUS SCHEMES THAT MIGHT BE USED IN THIS REGARD.

3. MRS. ARCHIBALD CONCEDES THAT THE RECENT UK DECISION IS NOT CONDUCIVE TO REACHING AN UNDERSTANDING IN THE FORTHCOMING GENTLEMEN'S AGREEMENT NEGOTIATIONS. SHE EMPHASIZES, HOWEVER, THE NEED TO OBTAIN AN AGREEMENT AS QUICKLY AS POSSIBLE SO AS TO PREVENT AN ACCELERATION OF THE COMPETITIVE RACE AMONG EXPORT CREDIT INSTITUTIONS. SHE CAUTIONS THAT THE BRITISH DECISION TO LAUNCH SUCH A SCHEME WAS TAKEN AT A HIGH POLITICAL LEVEL IN RESPONSE TO STRONG PRESSURE FROM UK INDUSTRIAL INTERESTS. SHE DOES NOT THINK THE UK WILL EASILY WITHDRAW THE SCHEME, AND IN HER OPINION IF THE UK HAD TO OPT FOR A GENTLEMEN'S AGREEMENT OR ITS EXPORT CREDIT SCHEME, TI WOULD CHOOSE THE LATTER. (LONDON MAY WISH TO GIVE ITS JUDGMENT ON THIS POINT.)

4. JAPANESE DRAFT AGREEMENT: THE EC WORKING GROUP DISCUSSED THE JAPANESE DRAFT, COPIES OF WHICH, WE ARE TOLD, WERE MADE AVAIABLE TO WASHINGTON AGENCIES. IN VIEW OF THE CONTINUED DECLINE IN MARKET INTEREST RATES, THE EC IS NOW INCLINED TOWARD THE JAPANESE PROPOSAL OF A MINIMUM INTEREST RATE OF 7.5 PERCENT. MRS. ARCHIBALD UNDERSTANDS THE GOJ IS ADAMANTLY OPPOSED TO ACCEPTING AN AVERAGE REAL COST INTEREST RATE. THE EC IS NOW REPORTEDLY REPARED TO SWAP THIS ELEMENT OF ITS DRAFT FOR A MORE FORTHCOMING GOJ POSITION ON SOME OTHER POINT, SUCH AS THE EXCEPTION FOR LARGE PROJECTS.

5. TENOR OF EC MEETING: MRS. ARCHIBALD REPORTS TE EC WANTS TO MOVE AHEAD RAPIDLY WITH THE NEGOTIATIONS. LIMITED OFFICIAL USE

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SHE HOPES THE "UNDERBRUSH" CAN BE CLEARED AWAY AT THE TECHNICAL-LEVEL SO THAT ONLY FOUR POINTS WILL REMAIN FOR THE PRINCIPAL'S MEETING: 1) THE MINIMUM INTEREST RATE; 2) DETERMINATION OF THE MARKET INTEREST RATE; 3) THE EXCEPTION FOR LARGE PROJECTS; AND 4) MIXED CREDITS. SHE HAS ASKED THE MEMBER STATES TO CONSIDER THE POSSIBILITY OF HOLDING THE PRINCIPALS-LEVEL MEETING SOMETIME BETWEEN APRIL 2-4. NO LOCATION

HAS BEEN SUGGESTED BUT MRS. ARCHIBALD HAS RAISED PRIVATELY WITH THE IRISH THE POSSIBILITY OF HOSTING THE MEETING IN DUBLIN. THIS WOULD REQUIRE THE COMMISSION TO TRANSPORT INTERPRETERS TO DUBLIN. THE IRISH ARE CURRENTLY CONSIDERING THIS PROPOSAL.

6. BILATERAL MEETINGS: MRS. ARCHIBALD TELLS US THAT THE EC WORKING GROUP MEETING ON EXPORT CREDITS ON MARCH 4-5 DECIDED TO SUGGEST AN INFORMAL MEETING AMONG ALL PARTICIPANTS OF THE TECHNICAL-LEVEL MEETING AT 5:00 P.M. ON MARCH 12. THE SMALLER EC MEMBER STATES WERE AGAINST THE PROPOSED INFORMAL BILATERAL MEETING BETWEEN THE US AND THE MAJOR EC MEMBER STATES. THE EC CONSEQUENTLY IS NOW PROPOSING AN INFORMAL EXCHANGE OF VIEWS IN WHICH THE EC NINE, THE JAPANESE AND THE US WOULD PARTICIPATE. THE JAPANESE MISSION BELIEVES THAT JAPAN WOULD AGREE TO THIS PROPOSAL.

7. MRS. ARCHIBALD WOULD LIKE TO INVITE PELIKAN AND GIANTURCO FOR LUNCH AT 1:00 P.M. ON MARCH 12. SHE PLANS ALSO TO INCLUDE TWO MEMBERS OF THE UK DELEGATION. GREENWALD

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